

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1 – SB 7

January 21, 2011

SUMMARY OF BILL: Extends from November 30, 2010, to May 31, 2011, the filing deadline for applications filed with the Department of Revenue (DOR) for refunds of state and local sales tax paid for qualified sales of replacement major appliances, residential building materials, and residential furniture due to the flood disaster of May 2010. Changes the time period for which eligible purchases must occur from May 1, 2010, through September 30, 2010, to October 1, 2010, through April 30, 2011. Authorizes claimants who filed for refunds on or before November 30, 2010, for qualified purchases that occurred between May 1, 2010, through September 30, 2010, to file an application for refund. Changes the date of repeal from July 1, 2011, to July 1, 2012.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$6,963,500/One-Time
Increase State Expenditures – Not Significant**

Other Fiscal Impact – The FY10-11 enacted budget included \$20,000,000 for sales tax refunds to be made to victims of the May 2010 flood disaster. Based on information provided by the Department of Revenue, the total amount of actual refunds under current law is currently estimated to be approximately \$4,000,000. Therefore, approximately \$16,000,000 will remain in the General Fund that was budgeted for this purpose for FY10-11. If this bill is not enacted, these funds will revert to the Treasury.

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-396(e), all refunds made to flood victims are paid from the General Fund.
- Local governments are held harmless from any loss of local option sales tax revenue.
- According to DOR, approximately 30,175 households in Tennessee received Federal Emergency Management Agency (FEMA) assistance as a result of the May 2010 flood.
- DOR indicates the Department will process approximately 2,600 applications that were filed on or before the required deadline of November 30, 2010 (or approximately 8.62% of the Tennessee households that received FEMA assistance).
- DOR estimates the total amount of refunds will be approximately \$4,000,000.

- The average refund per processed application is estimated to be \$1,538.46 ($\$4,000,000 \div 2,600 = \$1,538.46$).
- Based on information provided by DOR, it is reasonable to expect that the additional refunds paid as a result of extending the filing deadline from November 20, 2010 to May 31, 2011, will be substantially more than the \$4,000,000 currently estimated by the Department. Reasons include delays in being approved for FEMA assistance, delays in the receipt of FEMA assistance, longer than anticipated victim displacement, and delayed remodeling and construction plans.
- The FY10-11 enacted budget assumed that refunds made to flood victims would total \$20,000,000.
- It is estimated that an additional 15 percent of FEMA assistance recipients will file applications for sales tax refunds as a result of this bill.
- The one-time decrease to state revenue is estimated to be \$6,963,500 ($30,175 \times 15.0\% \times \$1,538.46 = \$6,963,455$).
- Any increase to state expenditures is expected to be not significant because DOR already has mechanisms in place for submitting refunds to flood victims.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc